

108TH CONGRESS
1ST SESSION

H. R. 1512

To amend the Internal Revenue Code of 1986 to provide that certain bonds issued by local governments in connection with delinquent real property taxes may be treated as tax exempt.

IN THE HOUSE OF REPRESENTATIVES

MARCH 31, 2003

Mr. CAMP (for himself and Mr. LEVIN) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide that certain bonds issued by local governments in connection with delinquent real property taxes may be treated as tax exempt.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TAX EXEMPT TREATMENT OF CERTAIN BONDS**
4 **ISSUED IN CONNECTION WITH DELINQUENT**
5 **REAL PROPERTY TAXES.**

6 (a) IN GENERAL.—Section 148 of the Internal Rev-
7 enue Code of 1986 is amended by redesignating subsection

1 (i) as subsection (j) and by inserting after subsection (h)
2 the following new subsection:

3 “(i) SPECIAL RULE FOR DELINQUENT TAX
4 BONDS.—

5 “(1) IN GENERAL.—For purposes of this sec-
6 tion, a bond which meets the requirements of para-
7 graph (2) shall not be treated as an arbitrage bond.

8 “(2) DELINQUENT TAX BOND REQUIRE-
9 MENTS.—A bond meets the requirements of this
10 paragraph if—

11 “(A) the bond is issued primarily to facili-
12 tate the collection or receipt of delinquent real
13 property taxes levied by the issuer for itself, or
14 for governmental units within the jurisdiction of
15 the issuer, within the 24-month period prior to
16 the date of issue of the bond,

17 “(B)(i) the amount of the net proceeds of
18 the issue of which the bond is a part does not
19 exceed the sum of the amount of the delinquent
20 real property taxes referenced in subparagraph
21 (A) and certified by the issuer of the bond on
22 its books and records as uncollected, plus
23 issuance costs, and

1 “(ii) such certification is made as of a spe-
2 cific date which occurs during the 5-month pe-
3 riod preceding the date of issue of the bond,

4 “(C) the maturity date of the bond is not
5 later than 24 months after the date of issue of
6 the bond, and

7 “(D) all delinquent real property taxes
8 (and interest, collection fees, and penalties at-
9 tributable to such taxes) received by the issuer
10 for itself, or for governmental units within the
11 jurisdiction of the issuer, after the specific date
12 referenced in subparagraph (B)(ii) and before
13 the last maturity date of the issue of which the
14 bond is a part are used for the payment of
15 principal, interest, or redemption price of the
16 issue of which the bond is a part to the extent
17 required for such purpose.

18 For purposes of this paragraph, net proceeds of the
19 issue of which the bond is a part shall be treated as
20 spent on the date of issuance of the issue.

21 “(3) REFUNDING BONDS.—A bond (or series of
22 bonds) issued to refund a bond meeting the require-
23 ments of paragraph (2) shall be treated as meeting
24 such requirements only if—

1 “(A) the maturity date of the refunding
2 bond is not later than 24 months after the date
3 of issue of the original bond,

4 “(B) the amount of the refunding bond
5 does not exceed the outstanding amount of the
6 refunded bond, and

7 “(C) the bond is issued not more than 90
8 days before the redemption of the refunded
9 bond.”.

10 (b) COORDINATION WITH HEDGE BOND RULES.—
11 Section 149(g)(3) of such Code is amended by adding at
12 the end the following new subparagraph:

13 “(D) EXCEPTION FOR DELINQUENT TAX
14 BOND.—For purposes of this subsection, the
15 term ‘hedge bond’ shall not include any bond
16 that meets the requirements of section
17 148(i)(2).”.

18 (c) COORDINATION WITH POOLED FINANCIAL BOND
19 RULES.—Section 149(f)(4)(B) of such Code is amended
20 by striking “or” at the end of clause (i), by striking the
21 period at the end of clause (ii) and inserting “, or”, and
22 by adding at the end the following new clause:

23 “(iii) section 148(i) applies to such
24 bond.”.

1 (d) COORDINATION WITH PRIVATE ACTIVITY BOND
2 RULES.—Paragraph (2) of section 141(c) of such Code
3 (relating to private activity bond; qualified bond) is
4 amended by striking “or” at the end of subparagraph (A),
5 by striking the period at the end of subparagraph (B) and
6 inserting “, or”, and by adding at the end the following
7 new subparagraph:

8 “(C) is with respect to a bond which meets
9 the requirements of section 148(i)(2) (relating
10 to delinquent tax bonds).”.

11 (e) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to obligations issued after the date
13 of the enactment of this Act.

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